

SODO Arena



**CITY COUNCIL PRESENTATION # 2
GOVERNMENT PERFORMANCE AND FINANCE
COMMITTEE
JUNE 6, 2012**

Public Investment

Security

I-91

Core Principles



SELF FINANCED THROUGH REVENUE STREAMS

NOT GENERAL FUND SUPPORTED

These funds would not exist without the project

Not taking money away from other services

**CITY AND COUNTY PROTECTED FROM CONSTRUCTION
COST OVERRUNS AND OPERATING REVENUE
SHORTFALLS**

**NO PUBLIC FUNDS COMMITTED UNTIL NBA FRANCHISE
SECURED**

Public Investment



- **LEASE PURCHASE STRUCTURE**
- **BASIC DEBT STRUCTURE**
- **FIRST INSTALLMENT**
- **SECOND INSTALLMENT**



Lease/Purchase Structure

Purpose

Process

Examples

Timeline

- Alternative Procurement Process
- Allows Cities to Mitigate Construction Risk
- Construction Requirements Defined Under State Law



Lease/Purchase Structure

Purpose

Process

Examples

Timeline

- **Call for Bids**
 - Outline specific requirements
 - State amount of public investment
- **Select Partner**
- **Acquire When Complete for Predetermined Amount**



Lease/Purchase Structure

Purpose

Process

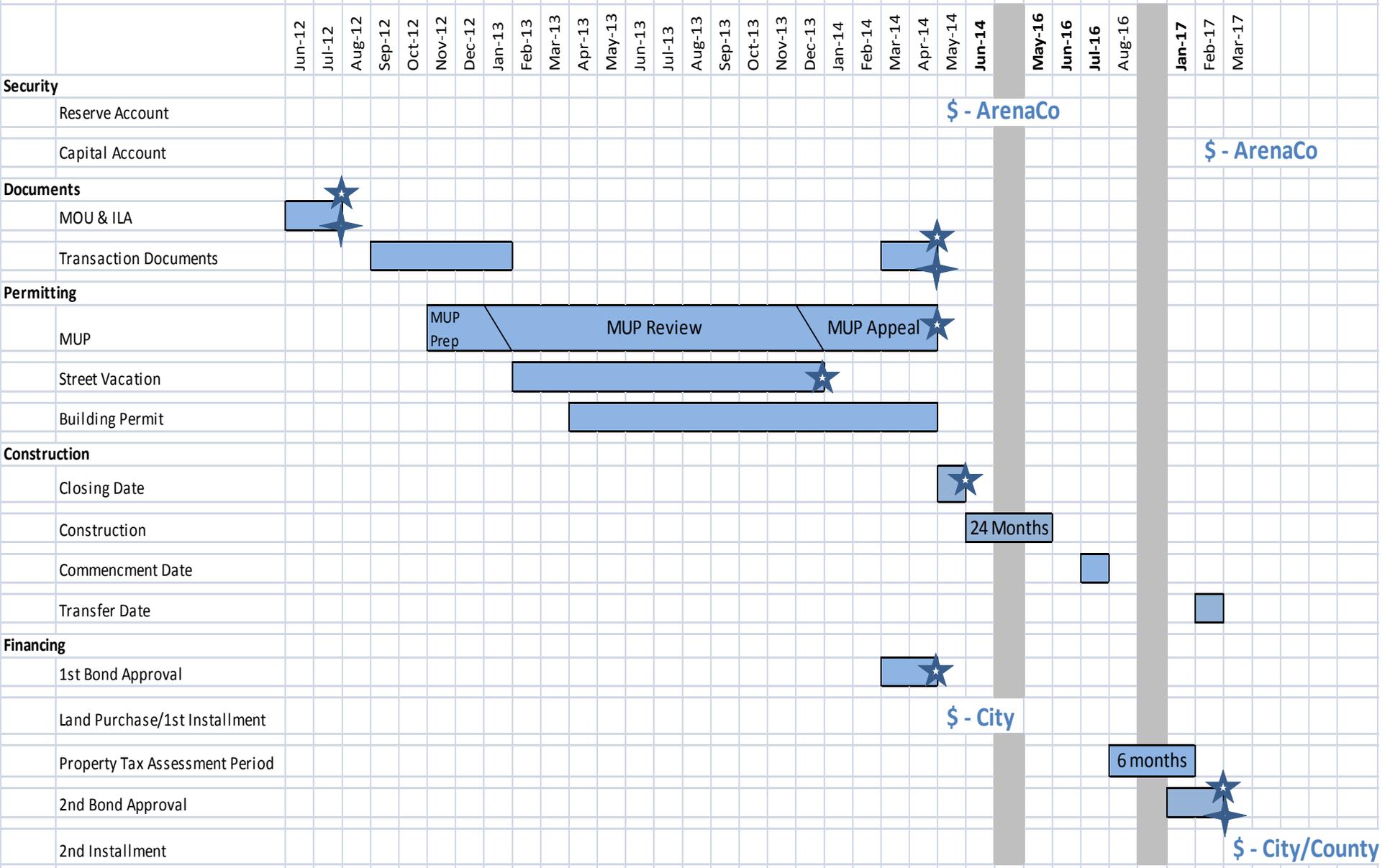
Examples

Timeline

- **Benaroya Hall**
 - City Owned
 - Call For Bids
 - Acquisition at Completion
- **County Facilities (61-20)**
 - Chinook Building
 - Pat Steel Building (Harborview)
 - Goat Hill Garage

	Time Period
	City Council Action
	County Council Action
	Payment

Arena Timeline





Basic Debt Structure

Amount and Timing

Tax and Rent Supported

Taxable v. Tax-exempt

City/County Split

- Up to \$200 Million
 - With NBA & NHL
 - ✦ City - \$120 Million
 - ✦ County - \$80 Million
 - With NBA Only
 - ✦ City – \$120 Million Less County Amount
 - ✦ County – Up to \$5 Million



Basic Debt Structure

Amount and Timing

Tax and Rent Supported

Taxable v. Tax-exempt

City/County Split

- Tax & Rent Supported
 - Taxes
 - ✦ Admission Tax
 - ✦ Property Tax
 - ✦ Sales Tax
 - ✦ Business & Occupancy Tax
 - ✦ Leasehold Excise Tax
 - ✦ Parking Tax
 - Rent
 - ✦ Base Rent
 - ✦ Additional Rent

- Taxable v. Tax Exempt



Basic Debt Structure

Amount and Timing

Tax and Rent Supported

Taxable v. Tax-exempt

City/County Split

- **Original Investor Request**
 - Higher Financial Request of City
 - All Funds Up Front
- **City Limit**
 - Lower Overall Commitment
 - Portion for Land; Portion for Arena
- **County Participation**
 - To Reach \$200 Million
 - Agreed to a Higher Amount (up to \$80 Million)
- **If Public Investment is Lower, Less County Participation**

Basic Debt Structure

Amount and Timing

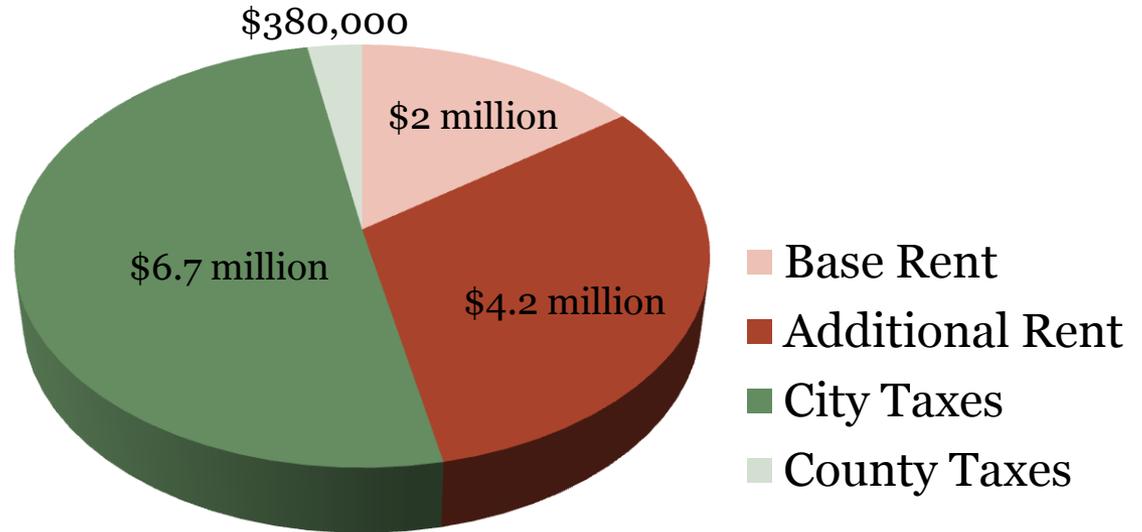
Tax and Rent Supported

Taxable v. Tax-exempt

City/County Split

Revenue Supporting Debt Service

(as estimated by City)



**Total First Year
Debt Service**
\$13.8 Million



First Installment

Conditions
Precedent

Up to \$100 million

- **Conditions Precedent**
 - Fully Permitted Arena
 - ✦ Including MUP/SEPA, Street Vacation
 - Secured NBA Team w/ Nonrelocation Agreement
 - Financing Satisfactory to City/County
 - Reserve Account
 - Payment & Performance Bond
 - Transaction Documents
- **Up to \$100 Million**
 - Land Acquisition
 - Based on Independent Appraisal



Second Installment

Conditions Precedent

Balance of Public
Funds, Up to \$200
Million

- **Conditions Precedent**
 - Construction Complete
 - Property Assessed for Property Tax Purposes
- **Balance of Public Funds**
 - NBA and NHL Scenario
 - ✦ City Contribution: \$120 Million
 - When combined with First Installment
 - ✦ County Contribution: \$80 Million
 - NBA Only Scenario
 - ✦ City Contribution: Up to \$120 Million (less County Contribution)
 - Based on Arena Performance
 - ✦ County Contribution: Up to \$5 Million



Known Project Costs & Who Pays

Cost	Paying Party
Permit Costs (MUP, SEPA, Etc.)	ArenaCo
Dedicated Permit Staff (at DPD)	ArenaCo
Street Vacation	ArenaCo
City Monitoring and Inspection (After Transfer Date)	ArenaCo
Miscellaneous City/County Costs <ul style="list-style-type: none">• Legal• Consultant• City/County Staff	ArenaCo (Up to \$5 million)
City/County Costs > \$5 million	City/County
Security/Emergency Services During Operations	ArenaCo

Security



- **FINANCIAL SECURITY**
- **OPERATING SECURITY**



Financial Security

Annual Revenue Guarantee

First Position on ArenaCo Revenue

Reserve Account & Coverage Ratio

Parent Company Guaranty

Additional Provisions

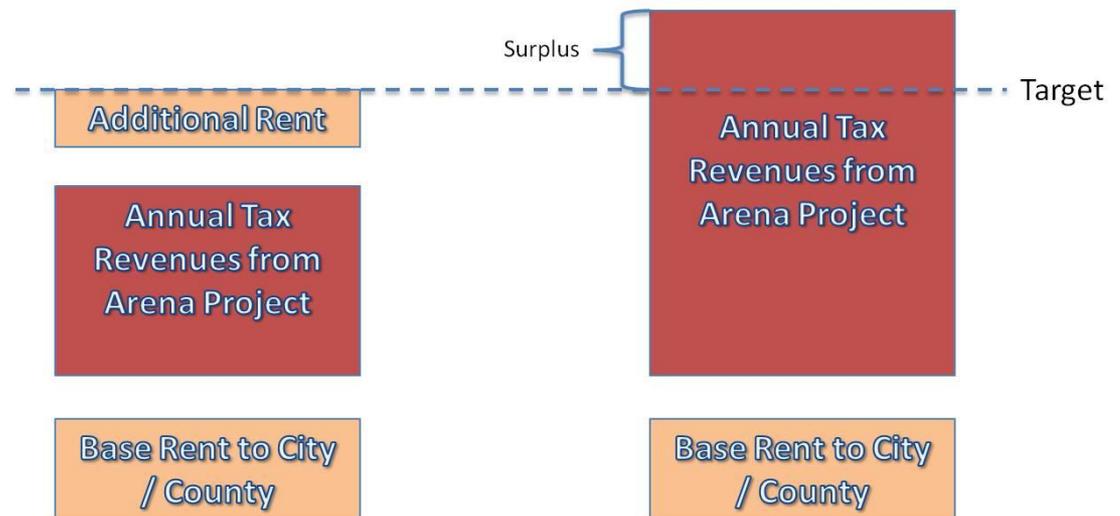
Revenue Guarantee

SHORTFALL SCENARIO

If “Base Rent” plus “Arena Tax Revenues” is not sufficient to cover annual financial obligations to City / County, ArenaCo will pay “Additional Rent”.

SURPLUS SCENARIO

If “Base Rent” plus “Arena Tax Revenues” is more than sufficient to cover annual financial obligations to City / County, the surpluses are used to provide the City / County financial protection.



Financial Security

Annual Revenue Guarantee

First Position on ArenaCo Revenue

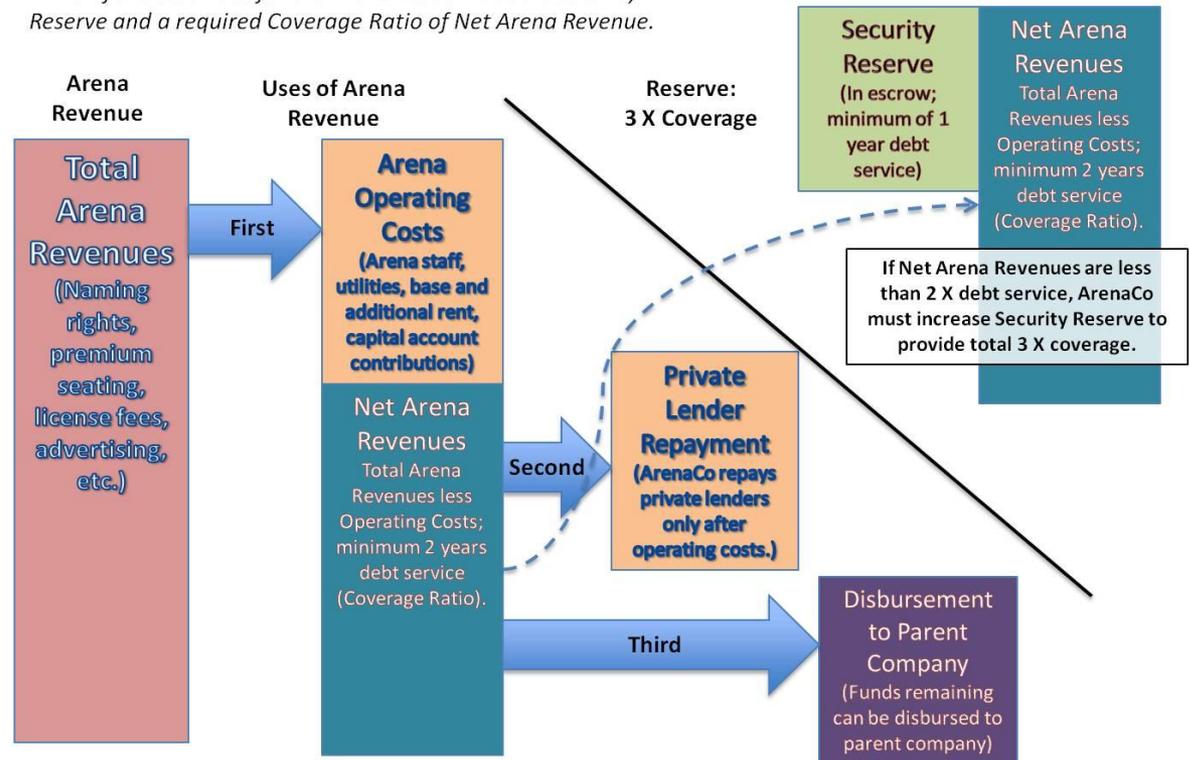
Reserve Account & Coverage Ratio

Parent Company Guaranty

Additional Provisions

Coverage Ratio and Security Reserve

Two of the securities for the Arena Lease include a Security Reserve and a required Coverage Ratio of Net Arena Revenue.



Financial Security

Annual Revenue Guarantee

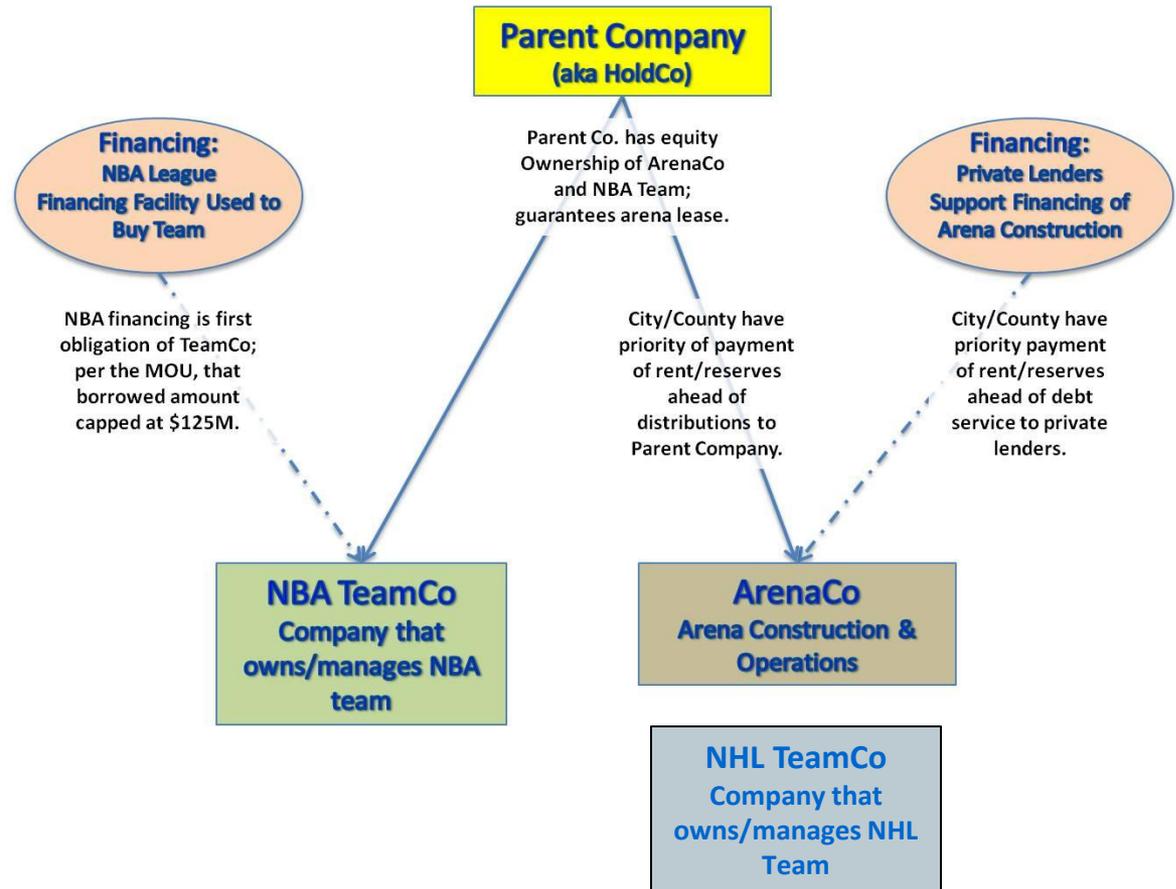
First Position on ArenaCo Revenue

Reserve Account & Coverage Ratio

Parent Company Guaranty

Additional Provisions

ArenaCo and Team Ownership





Financial Security

Annual Revenue
Guarantee

First Position on
ArenaCo Revenue

Reserve Account &
Coverage Ratio

Parent Company
Guaranty

Additional Provisions

- **Arena Ownership**
- **Maximum Public Financing Limit**
- **City/County Costs**
- **Non-Relocation Agreement**
- **Locally Domiciled**



Operating Security

No Operational Financial Risk

City/County Capital Account

ArenaCo Capital Account

Non-Relocation Agreement

- **No Operational Risk**
 - 30 Year Lease to ArenaCo
- **ArenaCo Capital Account**
 - \$2 Million/Yr
 - All Maintenance/Capital Improvements are ArenaCo's Responsibility
- **City/County Capital Account**
 - City/County may contribute to major capital improvements, at City/County Option (insurance for future costs)
- **Non-Relocation Agreement**

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- **BACKGROUND**
- **APPLICATION TO PROPOSAL**
- **ONE APPROACH**